

High performers down under: lessons from Australia's winning companies

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1. Introduction

Over the last 25 years, a new approach to understanding successful organizations has emerged. Rather than looking at theoretical approaches, researchers have turned to the organizations and managers themselves to try to understand the characteristics of success for long-term “winning” organizations. Using the practical assessments of experienced managers and analysts, researchers then attempted to form integrated, holistic frameworks that explain this success. This paper builds on the empirical approach to identify the common elements that underpin the long-term performance of Australia's top performing organizations.

2. Background and research overview

2.1 The search begins

The first major study was undertaken by the McKinsey consultants Peters and Waterman (1982) in their ground-breaking book *In Search of Excellence*. This investigation, designed to understand what some leading US organizations were doing to succeed in the face of the Japanese-led quality revolution, assessed 43 organizations' practices and developed benchmarks for “excellent organisations”. From this study the ideas of the 7S model (strategy, systems, style, staff, skills, shared values and structure), and the terms “bias for action” and “stick to the knitting” evolved. These concepts have remained in the literature and are embedded in the practices of many successful organizations today.

While some critics claim that some of the organizations in the Peters and Waterman study have not sustained their performance, most are not only still well known but have continued to perform near the top of their industries over the past 25 years.

2.2 The academic perspective

The next major study was by Stanford academics, Collins and Porras (1994). Where Peters and Waterman's methodology was somewhat unclear, Collins and Porras included a detailed summary of their methodology in their book, *Built to Last*. It included a control company for each of the “visionary” organizations chosen so that comparisons could be made and the unique practices of the visionary organizations identified.

Like *In Search of Excellence*, this research had a major effect on the practices of many organizations. Highlighting 18 organizations, again almost exclusively from the US, the study spawned phrases such as “big hairy audacious goals”, “no tyranny of the ‘or’” and “cult-like cultures”. More than 14 years after its publication, it is still widely available on commercial bookshelves in Australia as testimony to its continuing influence.

This paper is based on a book titled *The First XI: Winning Organisations in Australia* by Graham Hubbard, Delyth Samuel, Graeme Cocks and Simon Heap (Hubbard *et al.*, 2007). The author wishes to thank the co-authors for permission to use the contents of this book.

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2.3 The journey continues

Collins (2001) produced another research study of this type. He termed it the prequel to *Built to Last*, on the basis that the highlighted organizations had not been great throughout their lives, but had been able to change from being solid performers to being great ones for at least a 15 year period. Based on US companies which had 15 years of average or below average stock market performance, followed by 15 years of outstanding performance, he found only 11 companies that met the criteria. This study, like the others, developed terminology such as “level 5 leadership”, the “hedgehog” concept and “the flywheel and the doomloop”.

2.4 The Australian scene

Together with several other national initiatives (such as The Australian Business Excellence Framework) these studies have strongly influenced management thinking about “excellence” in Australia. They also prompted the current research project by Hubbard *et al.* (2007), whose primary aim was to identify the successful practices used by winning organizations in Australia.

The research took four years to complete and covered a 25-year period from 1982 to 2007 for all 11 organizations. Over 1,000 executives of medium-to-large organizations were asked to nominate what they considered the most successful organizations in Australia. “Success” was defined as taking a balanced scorecard perspective covering financial, customer and market performance, internal efficiency and long term growth, innovation and productivity issues. The research team first analyzed and agreed on the basis of success of each organization. Then common principles were identified and, finally, executives with long experience in the organizations were interviewed to gather insights on these causes of success to further validate the common principles.

The 11 organizations most often cited were Woolworths, Westfield, Telstra, Salvation Army, Rio Tinto, Qantas, National Australia Bank, Macquarie Bank, Lend Lease, Harvey Norman and Brambles. Over the 25-year period, these organizations substantially outperformed the All Ordinaries Accumulation Index, although financial performance was only one of the selection criteria. They represent a broad range of industries, suggesting that the practices of these organizations contribute to their winning status rather than them being in a winning industry.

3. Key findings

Several current myths of success were dispelled by the research. It was found that winning is not about vision or mission statements, big hairy audacious goals, great breakthrough ideas, organizational structure, marketing promotion or high remuneration levels.

The study included several organizations that were not listed, or not listed for the entire 25-year period. For instance, the Salvation Army was nominated by executives in the survey and found to be a worthy member of the 11 organizations included in the study. The study also included two government organizations that were privatized during the period, Telstra and Qantas Airways, providing support for the view that “winning” is not confined simply to listed, or even private, organizations.

The study also took a balanced scorecard approach to success, rather than a financial approach, as did “Good to Great”. While the organizations did well financially, the research

took a balanced view in terms of measurement and assessment of performance – and so did the organizations themselves.

This is the first published Australian study that explores whether the principles from US studies are indeed applicable outside the US. Although Australia may be seen as quite similar to the US in its cultural origins, the research demonstrated that around 20 percent of the findings were different, involving some subtle variations on US management teachings. For instance, the study found that “captain-coach” leadership was important for Australians working in organizations, compared with the “challenge” leadership often found and proposed in US organizations. The role of government as an important positive player in industry was also highlighted, a factor not raised in any of the comparative studies.

4. The winning framework

4.1 Elements of success

The nine elements of success identified are:

1. *Effective execution.* Winning organizations do what they say. They announce what they plan to do, they plan and budget for it and they meet the plans and the budgets. To do this, they have clear processes that are accepted within the organization. They have good control systems, people take personal responsibility for their work and they rigorously measure performance. They learn from their mistakes and they do not cross-subsidise business units. Every unit has to pay its way.
2. *Perfect alignment.* While seemingly impossible, winning organizations actually believe they can achieve this. Practicing a culture of continuous improvement, they use measurement and systems as the critical foundation for alignment. They seek to align culture, leadership, people and perceptions to strategy. Alignment is to external needs as well as internal forces.
3. *Adapt rapidly.* Times change so that even if perfect alignment is achieved, it will have to be changed, and changed rapidly. Flexibility is a key but change comes with control and is continuous. Innovation is sought in process as well as in products and services.
4. *Clear and fuzzy strategy.* Winning organizations have a clear strategy, though it can be expressed in many ways and does not necessarily exist through a vision or mission statement. But there is a fuzziness at the edges of the strategy. Winning organizations are always seeking to take advantage of incremental opportunities, even if they lie just outside their current clear strategy.
5. *Leadership, not leaders.* Leadership is about teams of leaders. Leaders set up an emotional “cause” for the organization, a reason for existence. Leaders exhibit “captain-coach” styles. They are available, egalitarian, supporting their people from close by, not setting difficult challenges from afar. The vast majority of leaders come from within winning organizations and have been with the organization for nearly twice the industry average.
6. *Looking out, looking in.* Winning organizations are externally and internally focused. They are aware not just of customers, but of their environment, their community, their international industry and international trends. They build long-term relationships and see governments and regulators as forces to be managed, not ignored.

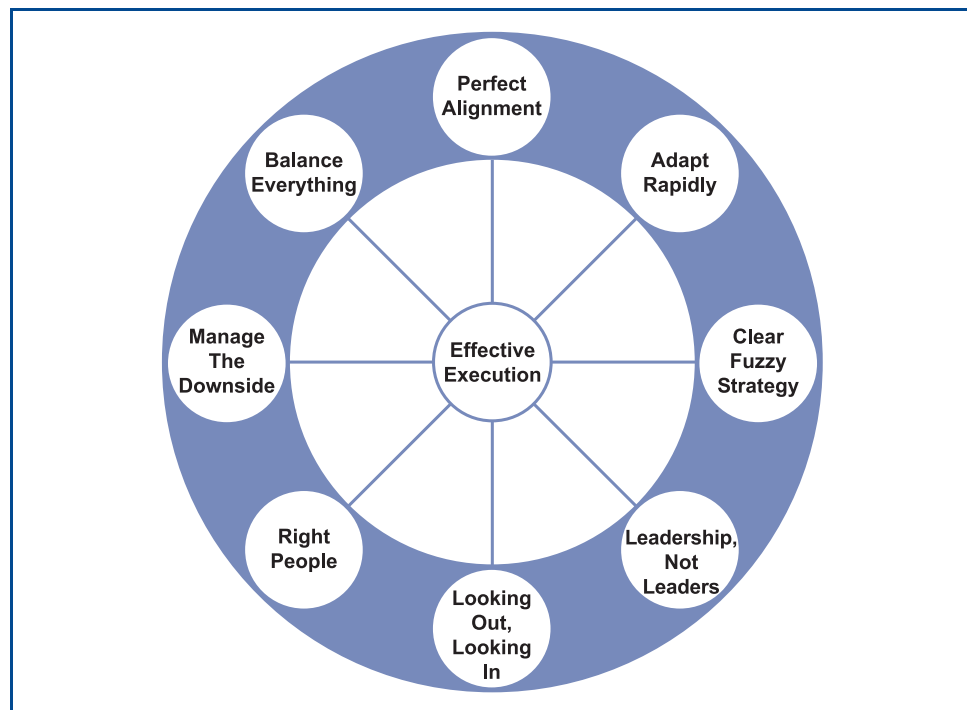
“It was found that winning is not about vision or mission statements, big hairy audacious goals, great breakthrough ideas, organizational structure, marketing promotion or high remuneration levels.”

7. *Right people.* Winning organizations hire people who believe in their “cause”, whose values and attitudes fit, not the “best” people who demand the highest pay. People who do not fit are actively managed out of the organization quickly. People who work in winning organizations are committed and proud though they will not sing the organization’s praises too loudly, in true Australian egalitarian style.
8. *Manage the downside.* Despite rapid growth, innovation and looking outwards, winning organizations are conservative. They plan carefully beforehand, considering the downside, not just the upside, of major decisions. They seek to share risks with other organizations, customers and their people.
9. *Balance everything.* Rather than trying to choose between alternatives, winning organizations choose both. For instance, while they are conservative, they are also entrepreneurial. While focusing on the long term, they also focus on the short term. While focusing on financials, they also focus on delivering value to customers, employees and the community. While working in teams, people are individually responsible.

The “winning wheel” framework (Figure 1) shows how these nine elements fit together and are connected to make the wheel operate and steer the organization towards its mission and goals. The power of the model lies in its integrative approach – there is no “start” or “finish” to the wheel. All elements need to be in place and are linked together – change in one precipitates change to others. Success is based on superior execution of all elements in the winning framework to deliver results.

The research identified effective execution of plans and strategies as the pivotal element of success. Understanding what it takes to be a winning organization starts with execution. Conventional wisdom might suggest this should be one of the last elements and perhaps even the end result of doing everything else well. When developing the framework the temptation was to regard strategy formulation or perhaps leadership as the logical starting point. But in an effort to answer the fundamental question, “What really makes these organizations different from others?”, it was recognized that it was the results that they delivered that caused success. The organizations were therefore chosen on the basis of

Figure 1 The winning wheel framework



their results. It is effective execution that enables them to deliver these results and that is what makes them unique.

4.2 Australia is different

One of the key objectives of this project was to explore the extent to which “winning” was similar or different between the US and Australia. The analysis identified at least six important differences. Australian organizations:

1. Have very little international experience and are likely to overestimate their ability to succeed internationally.
2. Require different skills than success overseas, particularly in less regulated markets.
3. Have unique leadership styles compared with overseas organizations.
4. Operate in much smaller market size and higher geographical spread that makes standard economies of scale and specialization arguments of limited value.
5. Rely extensively on overseas innovations (and their adaptations) for “research and development” to succeed in local markets.
6. Have benefited from a more significant role of government than in the USA.

5. Conclusions

Taking organizations that are successful over the long term, and understanding the principles behind their success, provides some clear external validation of the management principles being espoused in the literature. The research covered by this paper has provided a clearer view of the essence of “winning” organizations in Australia. It is possible that the findings also provide a generic framework for organizational excellence in many overseas countries, cultures and business environments. Some of the keys messages that emerge include:

1. Have a clear strategy. This does not necessarily mean expressing it as a mission or vision statement and it may be fuzzy at the edges to allow for incremental development.
2. Develop a “cause” or a “core purpose” for the organization, something that people can identify with, well beyond their job or simply making a profit.
3. Leadership is about teams, not individual leaders. In winning organizations, future leaders will come from within.
4. Select people who fit the strategy and culture of the organization, not those who appear to be best qualified.
5. Align systems and processes throughout the organization and ensure that they can adjust rapidly to change.
6. Be externally focused, not just internally focused.
7. Consider risk management and have project management plans in place, rather than simply considering the upside promised by new ideas.
8. Say what you are going to do, and do it, on time and within budget.
9. Winning involves maintaining a balance between the expectations of shareholders, customers, employees, suppliers, governments and communities.
10. Winning takes a long time and is far removed from the short-term focus that gets newsworthy attention.

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Business excellence,
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